

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Wm. Neal Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Sheriff of Jessamine County, Kentucky, for the year ended December 31, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Jessamine County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2003**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY SHERIFF

**For The Year Ended
December 31, 2003**

Carpenter, Mountjoy & Bressler, PSC has completed the Jessamine County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$30,848 from the prior year, resulting in excess fees of \$60,658 as of December 31, 2003. Revenues increased by \$183,159 from the prior year and expenditures increased by \$152,311.

Report Comments:

- The Sheriff Is Prohibited By Law From Receiving A Gift Or Donation From A Nongovernmental Entity
- The Sheriff Should Not Receive A Lump Sum Expense Allowance From The Fiscal Court

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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The Honorable Wm. Neal Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Jessamine County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

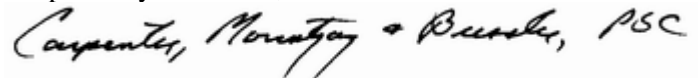
The Honorable Wm. Neal Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Is Prohibited By Law From Receiving A Gift Or Donation From A Nongovernmental Entity
- The Sheriff Should Not Receive A Lump Sum Expense Allowance From The Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Jessamine County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
November 24, 2004

JESSAMINE COUNTY
JOE WALKER, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

| | | | |
|--|----|---------------|---------|
| Federal Grants | \$ | 37,772 | |
| State - Kentucky Law Enforcement Foundation Program Fund | | | 69,073 |
| State Fees For Services: | | | |
| Waiting on Court | \$ | 25,486 | |
| Conveying Prisoners | | 4,811 | |
| Return of Fugitives | | 3,008 | |
| Summoning Witnesses | | 423 | |
| Juror's Meals | | 53 | |
| Arrest Fees & Mileage | | 360 | |
| Sheriff Security Service | | <u>48,640</u> | 82,781 |
| Circuit Court Clerk: | | | |
| Fines and Fees Collected | | | 9,565 |
| Fiscal Court | | | |
| Election Commission | \$ | 1,320 | |
| Fiscal Court Meetings | | 180 | |
| Payroll Allotments | | 213,837 | |
| Victims Advocate Payments | | 4,398 | |
| Budget Allotment | | <u>82,996</u> | 302,731 |
| County Clerk - Delinquent Taxes | | | 2,654 |
| Commission On Taxes Collected | | | 452,254 |
| Fees Collected For Services: | | | |
| Auto Inspections | \$ | 26,565 | |
| Accident and Police Reports | | 2,187 | |
| Carrying Concealed Deadly Weapon Permits | | <u>6,360</u> | 35,112 |
| Other: | | | |
| Executions | \$ | 87,959 | |
| Dog Licenses | | 344 | |
| Sheriff Sale | | 5,262 | |

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 JOE WALKER, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Revenues (Cont'd.)

Other:

| | | |
|----------------------------|--------|------------|
| Sheriff's Advertising Fee | 3,225 | |
| Sheriff's 10% Add-On Fee | 68,732 | |
| Tax Bill Printing | 5,563 | |
| Vending Machine Commission | 304 | |
| Reimbursements | 11,981 | |
| Miscellaneous | 1,047 | \$ 184,417 |

Interest Earned 2,502

Borrowed Money:

State Advancement 300,000

Total Revenues \$ 1,478,861

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 780,762
 KLEFPF 58,809

Employee Benefits-

Employer's Share Retirement 10,241

Contracted Services-

Advertising 735
 Computer Maintenance & Support 3,841
 Vehicle Maintenance and Repairs 23,803

Materials and Supplies-

Office Materials and Supplies 6,292
 Detective Supplies 737
 Uniforms 4,148

Auto Expense-

Gasoline \$ 21,691
 Maintenance and Repairs 904
 Equipment 297

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 JOE WALKER, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Expenditures (Cont'd.)

Other Charges-

| | |
|-----------------------------------|--------|
| Conventions, Travel and Training | 241 |
| Dues | 1,313 |
| Postage | 6,466 |
| CCDW | 4,370 |
| Juror's Meals | 53 |
| Return of Fugitives | 2,670 |
| Training Expense | 5,170 |
| Dog License | 292 |
| Sheriff's Sale | 5,216 |
| Refunds | 130 |
| Grant Expenditures | 31,956 |
| VA Grant Expense | 1,487 |
| Bank Service Charges | 30 |
| Executions | 38,793 |
| KY Sheriff's Association Expenses | 5,968 |
| Storage Unit Expense | 450 |
| Workers' Compensation | 4,173 |
| Uniform Laundry | 4,841 |
| Tax Bill Preparation | 1,800 |
| Telephone | 9,467 |
| Miscellaneous | 1,681 |

Capital Outlay-

| | | | |
|------------------|--------------|----|-----------|
| Office Equipment | <u>3,454</u> | \$ | 1,042,281 |
|------------------|--------------|----|-----------|

Debt Service:

| | |
|-------------------|----------------|
| State Advancement | <u>300,000</u> |
|-------------------|----------------|

| | |
|------------------------------|---------------------|
| Total Allowable Expenditures | <u>\$ 1,342,281</u> |
|------------------------------|---------------------|

| | |
|-------------------------|---------------|
| Net Revenues | \$ 136,580 |
| Less: Statutory Maximum | <u>72,886</u> |

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
JOE WALKER, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

| | |
|--|--------------------|
| Excess Fees | \$ 63,694 |
| Less: Training Incentive Benefit | <u>3,036</u> |
| Excess Fees Due County for 2004 | \$ 60,658 |
| Payments to Fiscal Court | <u>60,658</u> |
| Balance Due Sheriff at Completion of Audit | <u><u>\$ 0</u></u> |

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Forfeiture Account

During calendar year 2003, the Sheriff's office received proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These proceeds may be used for operating expenses of the Sheriff's office. During calendar year 2003, receipts of \$1,474 were collected and \$5,031 was expended. The balance in the account as of December 31, 2003 was \$1,395.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 5. Tax Escrow Account

The Sheriff deposits unclaimed tax overpayments into escrow upon annual tax settlement. The funds escheat to the state after seven years if not claimed. During calendar year 2003, a tax escrow account was created for unclaimed tax overpayments resulting from the 2002 annual tax settlement. The account earned \$4.01 during the calendar year. The ending balance as of December 31, 2003 was \$3,202.

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COMMENTS AND RECOMMENDATIONS

JESSAMINE COUNTY
JOE WALKER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Is Prohibited By Law From Receiving A Gift Or Donation From A Nongovernmental Entity

The Jessamine County Sheriff received a gift or donation in the amount of \$1,100 from a nongovernmental entity. A sheriff, as a peace officer, is prohibited by KRS 61.310 from receiving gifts and donations. The Sheriff should follow the actions outlined in OAG 82-433 in order to comply with the law. We recommend the Sheriff consult with the County Attorney to implement the necessary actions.

The Sheriff Should Not Receive A Lump Sum Expense Allowance From The Fiscal Court

During the course of our audit, it was noted that the Jessamine County Sheriff's office receives a fiscal year-based budget allotment from the Jessamine County Fiscal Court. During calendar year 2003, the Sheriff received \$254,500 from the Fiscal Court for this allotment. These funds were deposited into a separate bank account from fee funds. Funds totaling \$122,430.50 were disbursed as payroll items and \$82,996.35 were used for operating expenses. The account earned \$77.54 in interest. Neither the receipts nor disbursements were posted to the fee account receipts or disbursements ledgers. However, they were accounted for in the accounting program.

KRS 64.710 states that "No public officer or employee shall receive or be allowed or paid any lump sum expense allowance or contingent fund for personal or official expenses except where such allowance or fund either is expressly provided for by statute or is specifically appropriated by the General Assembly."

The auditors have proposed adjustments to the receipts and disbursements ledgers to appropriately classify the Jessamine County Fiscal Court budget allotment and its related disbursements as operating receipts and disbursements. Because the remaining balance of the 2003-2004 Fiscal Year Budget allotment has been disbursed or returned to the county, the auditor proposes no action on those funds at this time. Rather, the Sheriff's office and the Fiscal Court should proceed to account for any future budget allotments as fee receipts from the county. These receipts should be deposited into the fees bank account and accounted for on the fee receipts ledger. Disbursements from these funds should be made from the fee bank account and recorded in the fee disbursements ledger.

Sheriff's Response: The elimination of the expense account received from the county for official expenses will present a funding obstacle in applying for and receiving advance monies from the state pursuant to KRS 64.140 and should be considered to be allowed through a change in statute.

PRIOR YEAR: NONE.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Wm. Neal Cassity, Jessamine County Judge/Executive
Honorable Joe Walker, Jessamine County Sheriff
Members of the Jessamine County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Jessamine County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated November 24, 2004. This was a special report on the County Sheriff's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jessamine County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comment and recommendation.

- The Sheriff Is Prohibited By Law From Receiving A Gift Or Donation From A Nongovernmental Entity
- The Sheriff Should Not Receive A Lump Sum Expense Allowance From The Fiscal Court

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

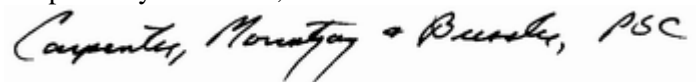
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
November 24, 2004

